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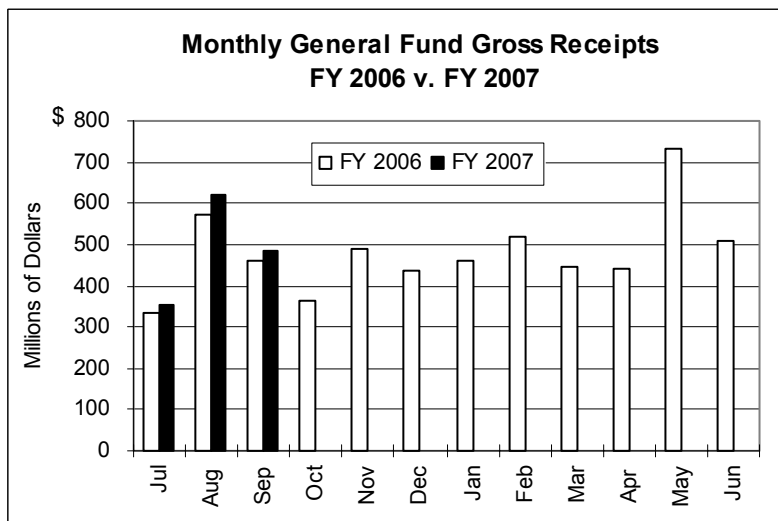
ADMINISTRATIVE SERVICES
 TIMOTHY C. FALLER

MEMORANDUM

TO: Members of the Iowa Senate and
 Members of the Iowa House of Representatives
 FROM: Dennis C. Prouty
 DATE: October 2, 2006

Monthly General Fund Receipts through September 30, 2006

The attached spreadsheet presents year-to-date FY 2007 General Fund receipts, with comparable figures for actual FY 2006. The figures can be compared to the FY 2007 estimate of \$5.842 billion set by the Revenue Estimating Conference (REC) on March 24, 2006. The FY 2007 estimate is an increase of \$71.2 million (1.2%) compared to actual FY 2006 gross cash receipts (excludes refunds, transfers, and accrued revenue changes). The REC has not met to update the FY 2007 estimate to reflect actual FY 2006 receipts. The March REC projected 2.8 % receipt growth for FY 2007. The next REC meeting is scheduled for October 16.



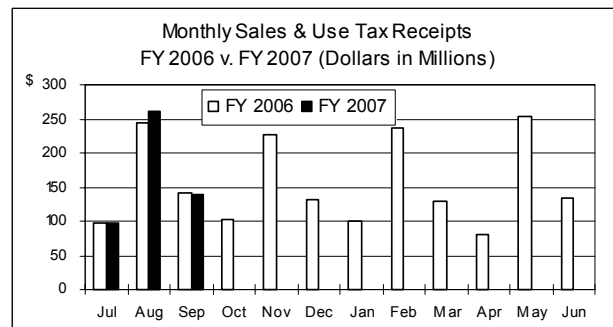
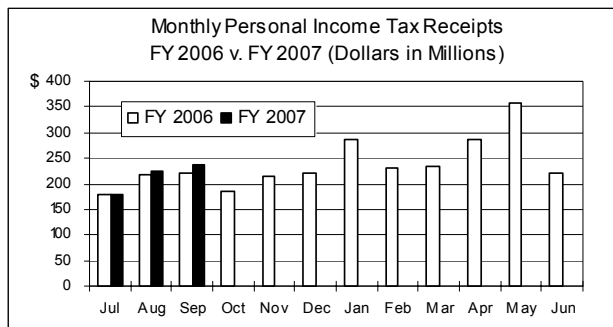
FY 2007 Compared to FY 2006

Fiscal year to date, total gross cash receipts increased \$88.0 million (6.4%) compared to FY 2006. Major revenue sources contributing to the change include:

- Personal income tax (positive \$23.5 million)
- Sales & use tax (positive \$13.7 million)
- Corporate tax (positive \$28.7 million)
- Other taxes (positive \$8.5 million)
- Other receipts (positive \$13.8 million)

Personal income tax revenues received in September totaled \$236.1 million, an increase of \$13.9 million (6.3%) compared to September 2005. Personal income tax receipts are currently negatively impacted by the most recent withholding table change that occurred in April 2006.

The FY 2007 REC income tax estimate of \$2.918 billion represents a projected increase of 2.2% compared to actual FY 2006. Year-to-date, total income tax receipts have increased 3.8%. By subcategory, withholding tax payments increased 5.1%, income tax estimate payments increased 4.2%, while payments with returns decreased 52.8%. The following chart compares FY 2007 monthly personal income tax receipts from all three personal income tax subcategories with FY 2006.



Sales/use tax receipts received in September totaled \$139.9 million, a decrease of \$2.4 million (- 1.7%) compared to September 2005. Sales and use tax receipts have shown negative growth in six of the past ten months. Over that time frame, growth has equaled positive 2.6%, down noticeably from the previous two years.

The REC estimate for FY 2007 sales/use tax receipts is \$1.946 billion, an increase of 3.5% compared to actual FY 2006. Fiscal year-to-date, sales/use tax receipts increased 2.8%. The preceding chart compares FY 2007 monthly sales tax receipts with FY 2006.

Corporate tax receipts received in September totaled \$48.2 million, a \$12.7 million increase (35.8%) compared to September 2005. Corporate tax receipts have shown strong growth since December 2003, and are up \$71.0 million (43.8%) during the previous six months.

The REC estimate for FY 2007 corporate tax revenue is \$320.0 million, a decrease of 8.2% compared to actual FY 2006. Year-to-date, corporate tax revenue has increased 50.6%.

Other tax receipts received in September totaled \$21.6 million, a \$1.8 million decrease (- 7.7%) compared to September 2005. Cigarette and franchise (bank) tax receipts were down for the month, while insurance premium tax receipts increased.

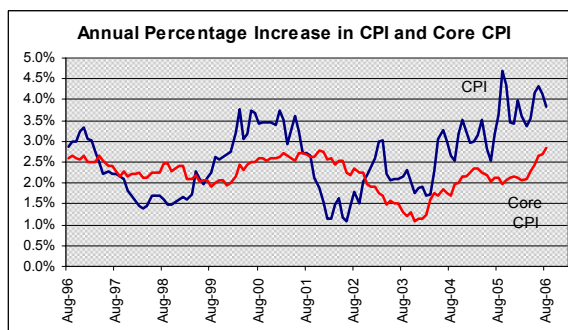
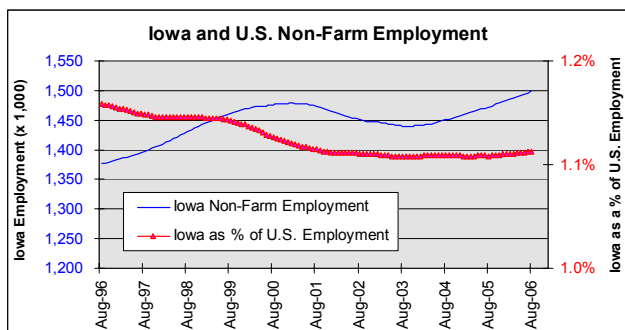
The REC estimate for FY 2007 receipts from other taxes is \$343.2 million, a decrease of 0.1% compared to actual FY 2006. Year-to-date, other tax receipts have increased 8.0%. Revenue from other taxes will decrease in March and June when the next two insurance premium tax payments are due.

Other receipts (non-tax receipts) received in September totaled \$37.1 million, a \$0.5 million decrease (- 1.3%) compared to September 2006. The REC estimate for FY 2007 other receipt revenue is \$314.6 million, a decrease of 8.4% compared to actual FY 2006. Year-to-date, other receipts have increased 13.2%.

Status of the Economy

Iowa non-farm employment was reported at 1,498,600 for the month of August (not seasonally adjusted), 26,900 higher (1.8%) than August 2005.

The 12-month Iowa moving average employment is presented in a graph below. Iowa non-farm employment (12-month average) peaked in January 2001 (1,478,700), and the recent low was August 2003 (1,439,900). The current 12-month average reading is 1,498,900, so annualized Iowa non-farm employment is roughly 20,200 above its 2001 peak and 59,000 above the 2003 low. The chart below also presents Iowa non-farm employment as a percent of U.S. non-farm employment. Iowa's share of national non-farm employment decreased noticeably from 1996 through 2003, but has held relatively stable over the past three years.



Consumer prices increased 0.2% during the month of August (not seasonally adjusted). The Consumer Price Index (CPI-U) through August 2006 was 203.9 (1983/84=100), 3.8% higher than one year ago.

Core CPI, an inflation measure that excludes food and energy prices, increased 0.2% during August and the year-over-year change was 2.8%. The core inflation rate generally declined from the early 1990's through March 2006. Since March, the rate of core CPI growth has noticeably accelerated.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://staffweb.legis.state.ia.us/lfb/receipts/daily.html>.

GENERAL FUND RECEIPTS - FY 2006 vs. FY 2007 July 1 through September 30 (in millions of dollars) Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 06 Actual Compared to FY 07 REC Estimate		
	FY 2006	FY 2007	Year to Date % Change	September % Change	Actual FY 2006	Estimate FY 2007	Projected % Change
Personal Income Tax	\$ 616.8	\$ 640.3	3.8%	6.3%	\$ 2,854.2	\$ 2,917.8	2.2%
Sales/Use Tax	484.5	498.2	2.8%	-1.7%	1,881.1	1,946.3	3.5%
Corporate Income Tax	56.7	85.4	50.6%	35.8%	348.6	320.0	-8.2%
Inheritance Tax	19.6	18.7	-4.6%	-9.3%	73.1	69.6	-4.8%
Insurance Premium Tax	48.7	60.1	23.4%	2000.0%	121.4	126.4	4.1%
Cigarette Tax	23.5	22.6	-3.8%	-26.7%	89.5	90.0	0.6%
Tobacco Tax	2.4	2.3	-4.2%	-22.2%	9.2	9.2	0.0%
Beer Tax	4.1	4.2	2.4%	7.1%	14.2	14.6	2.8%
Franchise Tax	8.2	6.5	-20.7%	-22.6%	35.5	32.8	-7.6%
Miscellaneous Tax	-0.5	0.1	120.0%	125.0%	0.6	0.6	0.0%
 Total Special Taxes	 \$ 1,264.1	 \$ 1,338.3	 5.9%	 5.3%	 \$ 5,427.4	 \$ 5,527.3	 1.8%
 Institutional Payments	 3.5	 3.6	 2.9%	 25.0%	 13.0	 12.9	 -0.8%
Liquor Profits	11.5	12.5	8.7%	0.0%	63.8	61.8	-3.1%
Interest	3.1	6.2	100.0%	109.1%	17.5	13.5	-22.9%
Fees	16.0	19.3	20.6%	-6.1%	76.2	69.9	-8.3%
Judicial Revenue	10.6	12.5	17.9%	0.0%	63.1	61.9	-1.9%
Miscellaneous Receipts	9.7	6.2	-36.1%	-53.6%	49.7	34.6	-30.4%
Racing and Gaming Receipts	50.1	58.0	15.8%	-0.9%	60.0	60.0	0.0%
 TOTAL GROSS RECEIPTS	 \$ 1,368.6	 \$ 1,456.6	 6.4%	 4.8%	 \$ 5,770.7	 \$ 5,841.9	 1.2%